

taking a fresh look at universal service funding, it is time for the Commission to break the "rate inertia" that has allowed the SLC to remain frozen, without any upward adjustment, since 1989. At a minimum, the SLC caps should be adjusted by accrued increases in consumer prices since 1985, when the SLC amounts were caps were implemented. Making this adjustment through the year ending 1995 (shown in the Data Appendix hereto at A-10) would bring the caps to \$5.30 and \$8.33 per month, respectively, for residential and multi-line businesses. This adjustment would allow a large portion, if not all, of the support presently collected through the CCLC to be eliminated immediately.<sup>32</sup>

The Committee recognizes that earlier proposals to increase the SLC have been opposed politically because such increases could make telephone service unaffordable to customers who make few interstate calls; however, these concerns are subordinated by the broad legislative mandate in the 1996 Act for explicit, equitable, and nondiscriminatory universal service support. Moreover, as the Committee addresses elsewhere in these Comments, updating the concept of "affordability" of basic telephone service is overdue. Finally, the policy goal of encouraging competition would be frustrated if the present

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<sup>32</sup>. Ad Hoc estimates that total CCLC revenues are in the range of \$3.5 billion annually, and that recommended increase in the SLC would generate approximately \$3.4 billion annually by year end 1996. If, and to the extent that, the Commission determines that the recommended increase in the SLC will not compensate for the full amount of revenues currently generated by the CCLC, the Ad Hoc Committee recommends that the SLC caps be first adjusted upward to the full level change in the Consumer Price Index since 1985, and thereafter in \$1.00 increments each year until such time as the CCLC revenue requirement is eliminated.

distortion of economic efficiency of consumers' purchases is permitted to continue.<sup>33</sup>

It has been suggested, alternatively, that the funding requirement presently recovered through the CCLC and two other contributory access charge elements be made part of a single universal service fund, which would be funded on a competitively neutral basis.<sup>34</sup> The Ad Hoc Committee is not opposed to this approach in principle; however, regardless of whether the Commission phases out the CCLC by increasing the SLC or rolls the universal service components of access charges into a separate neutral funding mechanism, a careful accounting must occur that prevents these costs from being recovered more than once.

### **CONCLUSION**

The Committee urges the Commission to seize this opportunity to make a clean break from the economically inefficient policies of the passing local monopoly era. If the Commission adopts a new, more targeted approach better suited to a competitive local market, the result should be vigorous competition in

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<sup>33</sup>. Ad Hoc supports the Commission's proposals to make necessary increases in Lifeline support and other innovative approaches to assist low-income customers to get and maintain telephone service that meets their needs.

<sup>34</sup> FCC Universal Service White Paper at 96 (describing positions attributed to MCI).

that market and a boon to the general public, including those that rely on universal service support.

Respectfully submitted,

**AD HOC TELECOMMUNICATIONS  
USERS COMMITTEE**

By: 

Economic consultants:

Susan M. Gateley  
Helen E. Golding  
Economics and Technology, Inc.  
One Washington Mall  
Boston, Massachusetts 02108-2617  
(617) 227-0900

James S. Blaszak  
Kevin S. DiLallo  
Levine, Blaszak, Block & Boothby  
1300 Connecticut Avenue, NW  
Suite 500  
Washington, D.C. 20036  
(202) 223-9019

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Its Attorneys

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# **DATA APPENDIX**

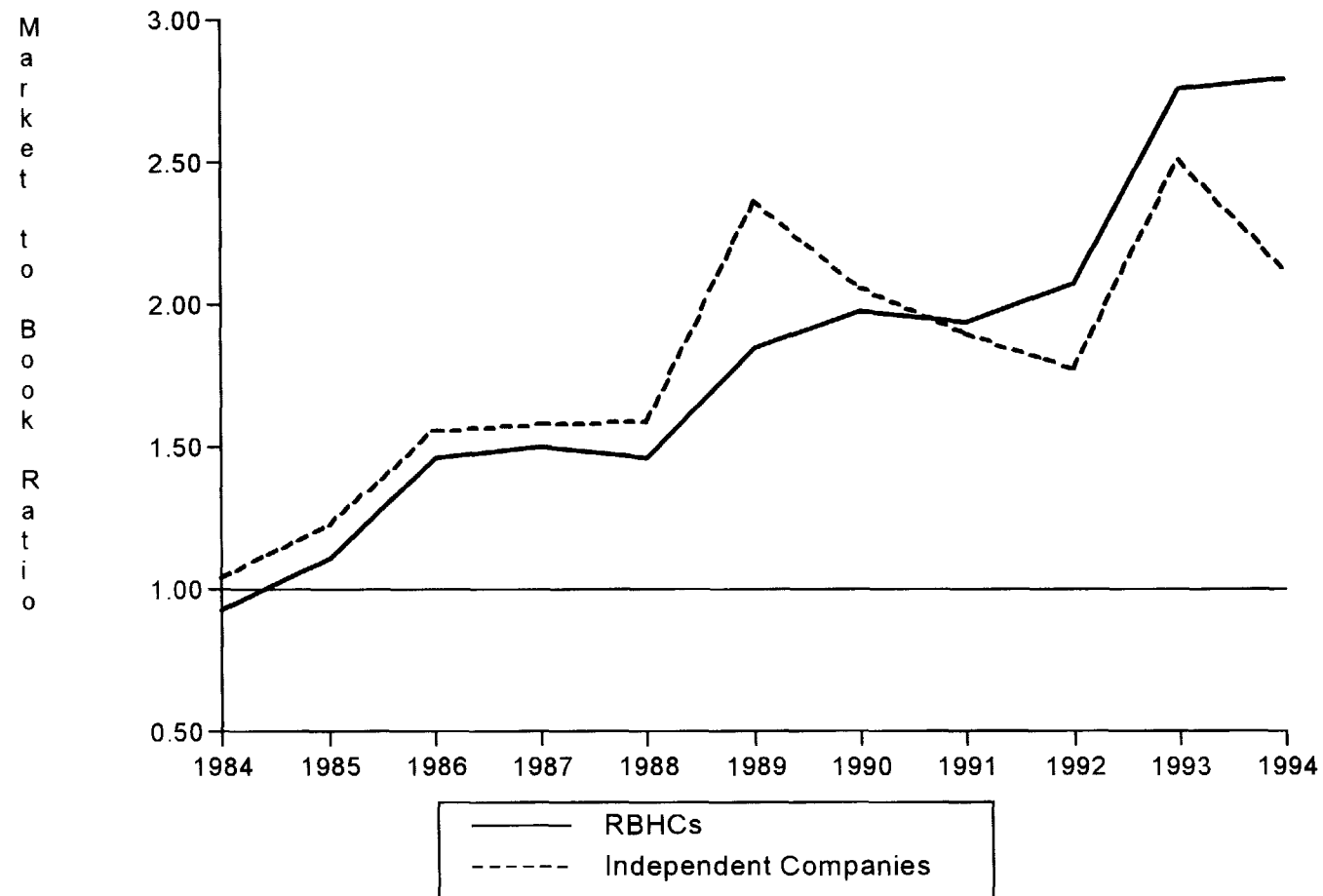
## Market-to-Book Value Ratios

Year	RBHCs Avg. Ratio	Ind. Co. Avg. Ratio
1984	0.92	1.04
1985	1.10	1.22
1986	1.46	1.55
1987	1.50	1.58
1988	1.45	1.59
1989	1.84	2.36
1990	1.97	2.05
1991	1.93	1.89
1992	2.07	1.77
1993	2.75	2.50
1994	2.79	2.12

Note: RBHCs include Ameritech, Bell Atlantic, Bell South, NYNEX, Pacific Telesis, Southwestern Bell and US West. Independent Companies include Cincinnati Bell, Rochester Telephone and SNET.

Source: Value Line Investors Survey, April 14, 1995.

Average Annual Market to Book Value Ratios



# **AMERITECH GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	17,635,300	1,746,600	9.9%
1985	18,148,800	1,991,300	11.0%
1986	18,739,400	2,076,300	11.1%
1987	18,784,300	1,913,700	10.2%
1988	19,163,000	1,868,600	9.8%
1989	19,883,000	1,971,800	9.9%
1990	21,715,100	2,116,000	9.7%
1991	22,289,700	2,152,200	9.7%
1992	22,817,700	2,236,500	9.8%
1993	23,427,700	2,092,400	8.9%
1994	19,946,800	1,876,600	9.4%
Average			9.9%

# **BELL ATLANTIC GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	18,817,700	1,912,600	10.2%
1985	20,062,400	2,175,200	10.8%
1986	22,166,300	2,543,900	11.5%
1987	23,553,000	2,423,200	10.3%
1988	24,965,200	2,670,100	10.7%
1989	26,603,600	2,720,900	10.2%
1990	28,391,800	2,692,100	9.5%
1991	28,305,800	2,644,100	9.3%
1992	28,099,500	2,546,800	9.1%
1993	29,544,200	2,519,000	8.5%
1994	24,271,800	2,546,200	10.5%
Average			10.1%



**BELL SOUTH GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	23,673,000	2,274,000	9.6%
1985	25,008,300	2,624,100	10.5%
1986	26,218,100	2,802,700	10.7%
1987	27,416,500	3,016,400	11.0%
1988	28,472,400	3,140,800	11.0%
1989	30,050,000	3,068,200	10.2%
1990	30,206,800	3,054,500	10.1%
1991	30,941,700	3,102,400	10.0%
1992	31,462,700	3,049,800	9.7%
1993	32,873,300	3,329,900	10.1%
1994	34,397,000	3,462,800	10.1%
Average			10.3%

# **NYNEX GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	19,853,000	1,853,900	9.3%
1985	20,600,000	2,114,700	10.3%
1986	21,804,600	2,414,200	11.1%
1987	23,005,800	2,551,000	11.1%
1988	25,362,100	2,783,600	11.0%
1989	26,909,000	2,420,600	9.0%
1990	26,650,700	2,493,200	9.4%
1991	27,502,600	2,499,300	9.1%
1992	27,731,700	2,450,000	8.8%
1993	29,458,400	2,717,200	9.2%
1994	30,068,000	3,012,200	10.0%
Average			9.8%

**PACIFIC TELESIS GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	18,433,000	2,082,000	11.3%
1985	19,538,300	2,257,000	11.6%
1986	20,320,500	2,209,000	10.9%
1987	21,395,000	2,189,000	10.2%
1988	21,191,000	1,517,000	7.2%
1989	21,289,000	1,649,000	7.7%
1990	21,581,000	1,963,000	9.1%
1991	21,838,000	1,989,000	9.1%
1992	21,849,000	1,825,000	8.4%
1993	23,437,000	1,800,000	7.7%
1994	20,139,000	1,631,000	8.1%
Average			9.2%

# **SOUTHWESTERN BELL GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	18,042,100	1,804,100	10.0%
1985	19,291,100	2,090,300	10.8%
1986	20,299,800	1,970,000	9.7%
1987	21,500,200	1,450,200	6.7%
1988	20,985,100	1,221,800	5.8%
1989	21,160,500	1,483,100	7.0%
1990	22,195,500	2,258,400	10.2%
1991	23,179,400	2,293,700	9.9%
1992	23,810,000	2,144,300	9.0%
1993	24,307,500	2,221,100	9.1%
1994	26,005,300	2,350,200	9.0%
Average			8.9%

# **US WEST GROSS PLANT ADDITIONS, 1984 TO 1994**

Year	Plant in Service (\$000s)	Gross Plant Additions (\$000s)	Plant Additions as Plant in Service
1984	17,100,200	1,744,000	10.4%
1985	18,442,200	2,089,000	11.3%
1986	20,048,300	2,238,700	11.2%
1987	20,981,200	1,764,700	8.4%
1988	22,415,900	2,205,300	9.8%
1989	25,425,900	2,033,800	8.0%
1990	27,050,200	2,477,800	9.2%
1991	27,854,100	2,316,100	8.3%
1992	23,460,700	2,175,000	9.3%
1993	20,679,700	2,404,000	11.6%
1994	23,204,000	2,501,000	10.8%
Average			9.8%

### POTENTIAL INCREASE IN SLC TO REFLECT CPI INCREASES

Year	CPI (1982-84=100)	CPI % CHANGE	Increase in Residential SLC	Increase in Business SLC
1984	103.9		3.60	6.00
1985	107.6	3.56%	3.73	6.21
1986	109.6	1.86%	3.80	6.33
1987	113.6	3.65%	3.94	6.56
1988	118.3	4.14%	4.10	6.83
1989	124	4.82%	4.30	7.16
1990	130.7	5.40%	4.53	7.55
1991	136.2	4.21%	4.72	7.87
1992	140.3	3.01%	4.86	8.10
1993	144.5	2.99%	5.01	8.34
1994	148.2	2.56%	5.13	8.56
1995*	152.9	3.20%	5.30	8.83

\*Note-. 1995 Data as Forecasted

Sources: Economic Report of the President, 1995; 1995 Data from: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank

## CERTIFICATE OF SERVICE

I, Jonathan N. Reiter, hereby certify that true and correct copies of The Ad Hoc Telecommunications Users Committee's Comments for CC Docket No. 96-45 were served this 12th day of April, 1996. Four copies and an original to the FCC Secretary, one copy to the International Transcription Service, and all parties on the Federal-State Joint Board service list as follows. A diskette with the document formatted for WordPerfect will also be submitted to the Common Carrier Bureau.



Jonathan N. Reiter

### Service List:

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W. -- Room 814  
Washington, DC 20554

The Honorable Andrew C. Barrett  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W. -- Room 826  
Washington, DC 20554

The Honorable Susan Ness  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W. -- Room 832  
Washington, DC 20554

The Honorable Julia Johnson  
Commissioner  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shurnard Oak Blvd.  
Tallahassee, FL 32399-0850

The Honorable Kenneth McClure  
Vice Chairman  
Missouri Public Service Commission  
301 W. High Street, Suite 530  
Jefferson City, MO 65102

The Honorable Sharon L. Nelson  
Chairman  
Washington Utilities and  
Transportation Comm.  
P.O. Box 47250  
Olympia, WA 98504-7250

The Honorable Laska Schoenfelder  
Commissioner  
South Dakota Public Utilities Commission  
500 E. Capital Avenue  
Pierre, SD 57501

Martha S. Hogerty  
Public Counsel for the State of Missouri  
P.O. Box 7800  
Harry S. Truman Building, Room 250  
Jefferson City, MO 65102

Deborah Dupont  
Federal Staff Chair  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Paul E. Pederson  
State Staff Chair  
Missouri Public Service Commission  
P.O. Box 360  
Truman State Office Building  
Jefferson City, MO 65102

Eileen Benner  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0074

Charles Bolle  
South Dakota Public Utilities Commission  
State Capital, 500 E. Capital Avenue  
Pierre, SD 57501-5070



William Howden  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Lorraine Kenyon  
Alaska Public Utilities Commission  
1016 West Sixth Avenue, Suite 400  
Anchorage, AK 99501

Debra M. Kriete  
Pennsylvania Public Utilities Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Clara Kuehn  
Federal Communications Commission  
2000 L Street, N.W., suite 257  
Washington, DC 20036

Mark Long  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Gerald Gunter Building  
Tallahassee, FL 32399-0850

Samuel Loudenslager  
Arkansas Public Service Commission  
P.O. Box 400  
Little Rock, AR 72203-0400

Sandra Makeeff  
Iowa Utilities Board  
Lucas State Office Building  
Des Moines, IA 50319

Philip F. McClelland  
Pennsylvania Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, PA 17120

Michael A. McRae  
D.C. Office of the People's Counsel  
1133 15th Street, N.W., Suite 812  
Washington, DC 20036

Rafi Mohammed  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Terry Monroe  
New York Public Service Commission  
Three Empire Plaza  
Albany, NY 12223

Andrew Mulitz  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Mark Nadel  
Federal Communications Commission  
1919 M Street, N.W., Room 542  
Washington, DC 20554

Gary Oddi  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Teresa Pitts  
Washington Utilities and Transportation  
Comm.  
P.O. Box 47250  
Olympia, WA 98504-7250

Jeanine Poltronieri  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

James Bradford Ramsay  
National Association of Regulatory Utility  
Commissioners  
1201 Constitution Avenue, N.W.  
Washington, DC 20423

Jonathan Reel  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Brian Roberts  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

Gary Seigel  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Pamela Szymczak  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, DC 20036

Whiting Thayer  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, DC 20036

Deborah S. Waldbaum  
Colorado Office of Consumer Counsel  
1580 Logan Street, Suite 610  
Denver, CO 80203

Alex Belinfante  
Federal Communications Commission  
1250 23rd Street, Suite 100  
Washington, DC 20037

Larry Povich  
2033 M Street, N.W., Suite 700  
Washington, DC 20554

ITS  
1900 M Street, N.W., Room 640  
Washington, DC 20036

Ernestine Creech  
Common Carrier Bureau  
Accounting and Audits Division  
2000 L Street, N.W., Suite 257  
Washington, DC 20554

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